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FRANK M. FEINBERG

FARMERS, PARITY AND THE U.S. ECONOMY

ANNCR:

DURING THE PAST SEVERAL WEEKS AMERICAN FARMERS HAVE PROTESTED IN A NUMBER OF CITIES AGAINST THEIR PRODUCTION COSTS AND THE PRICES THEY GET FOR THEIR CROPS. VOA BUSINESS AND ECONOMICS EDITOR FRANK FEINBERG HAS THIS BACKGROUND REPORT ON FARMERS PETITIONING IN WASHINGTON:

VOICE:

SINCE LAST WEEK FARMERS BELONGING TO THE NEW AMERICAN AGRICULTURE MOVEMENT ORGANIZATION HAVE PROTESTED IN WASHINGTON. THEY HAVE DEMANDED LEGISLATION TO ENSURE THEM ONE-HUNDRED PER CENT OF PARITY FOR THEIR COMMODITIES. IT IS A COMPLEX, OFTEN FRUSTRATING SITUATION, AND REQUIRES A DEFINITION OF PARITY AND ITS POSSIBLE EFFECTS.

BASICALY, PARITY PRICES ARE THOSE WHICH WOULD GIVE FARM PRODUCTS THE SAME PER UNIT PURCHASING POWER -- IN TERMS OF GOODS AND SERVICES FARMERS BUY -- AS PREVAILED IN THE YEARS 1910 THROUGH 1914. PRICES FOR FARM PRODUCTS DURING THIS PERIOD WERE WELL ABOVE PREVIOUS LEVELS, AND OVER THE YEARS FARMERS HAVE PERSISTED IN RETAINING THIS PRICE FORMULA. HOWEVER, IN RECENT TIMES THERE HAVE BEEN INCREASING QUESTIONS AS TO WHETHER THE PARITY FORMULA IS THE BEST WAY TO BOTH GUARANTEE THE FARMER AN ADEQUATE RETURN AND, AT THE SAME TIME, PROTECT CONSUMERS AND THE OVERALL ECONOMY FROM ADVERSE EFFECTS.

THERE'S NO QUESTION THAT SOME U.S. FARMERS -- PARTICULARLY GRAIN GROWERS -- HAVE BEEN CAUGHT IN A SEVERE COST-PRICE SQUEEZE. THESE FARMERS NEED MORE PROTECTION FROM RISING PRODUCTION COSTS AND CURRENT LOWER PRICES PAID THEM. BECAUSE OF HUGE RESERVE STOCKS AND LESS DEMAND OVERSEAS AT PRESENT, AMERICAN GROWERS OF WHEAT, CORN, PEANUTS, SOYBEANS AND FEED GRAINS HAVE SEEN THEIR INCOMES REDUCED.

HOWEVER, AGRICULTURE SECRETARY BOB BERGLAND AND OTHER AGRICULTURE AUTHORITIES SAY THAT TO USE THE PRICE-COST RATIOS OF 1910-1914 NOW WOULD BE TO REPLACE ONE KIND OF DISQUILIBRIUM WITH ANOTHER. THEY SAY THE ONE HUNDRED PERCENT OF PARITY DEMANDED BY THE PROTESTING FARMERS WOULD INCREASE THE NATIONAL INFLATION RATE -- BECAUSE RETAIL FOOD PRICES WOULD GO UP AS MUCH AS TWENTY PERCENT. FOR EXAMPLE, IT'S SAID THAT CONSUMERS COULD END UP PAYING SEVEN CENTS MORE THAN THE CURRENT PRICE FOR A LOAF OF BREAD.

SECRETARY BERGLAND IS A FORMER WHEAT GROWER AND WOULD LIKE FARMERS TO GET A LARGER SHARE OF THE FOOD DOLLAR. BUT RATHER THAN PARITY LAWS, HE PREFERS OTHER OPTIONS TO RAISE FARM INCOME -- INCLUDING AN INTERNATIONAL ACCORD ON GRAIN PRICES.

JS/PBM